

**LODI CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 20, 2001**

A. ROLL CALL

The Special City Council meeting of February 20, 2001 was called to order by Mayor Nakanishi at 7:00 a.m.

Present: Council Members – Hitchcock (arrived at 7:03 a.m.), Howard, Land, Pennino and Mayor Nakanishi

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays and City Clerk Blackston

City Clerk Blackston reviewed the weekly calendar (filed).

B. TOPIC(S)

- B-1 “Adopt resolution authorizing the City Manager and the Electric Utility Director to execute electric and natural gas energy purchase and sale agreements for periods up to ten years”

NOTE: Due to a potential conflict of interest, Mayor Pro Tempore Pennino abstained from discussion and voting on this matter.

Electric Utility Director Vallow explained that due to recent defaults within the power markets, counter parties to long-term power agreements are very concerned about credit risk and want to do business directly with entities without an intermediary. Northern California Power Agency (NCPA) shares the credit rating of its members. Mr. Vallow reported that Electric Utility shares an A to A- credit rating, which is better than the counter parties with whom they will be doing business. Today's request is for the City Manager and Electric Utility Director to have the same authorization that the General Manager of NCPA was previously given.

Mr. Vallow reported that, typically, transactions are for 25 megawatts. He stated that without approval today, Electric Utility would be in a precarious situation. To illustrate, he noted that a one-year transaction that NCPA could enter into for Electric Utility today (for the next year) would sell at \$140 to \$175 a megawatt hour for a base load product.

In response to questions by Council Members Land and Hitchcock, Mr. Vallow stated that from a risk analysis standpoint, Calpine is a solid counter party. He explained that Electric Utility's strategic objective is to extricate themselves from the spot market for the next three years unless it is for a sale.

General discussion ensued regarding meetings scheduled by Electric Utility for this afternoon with one to two Council Members at a time for the purpose of providing educational information related to Items H-5 and H-6 on the February 21, 2001 regular City Council agenda. Council Member Land suggested that Electric Utility compile a list of comments and questions that each Council Member asks during these meetings and provide the list to each member.

In reply to Council Members questions, Mr. Vallow reported that Electric Utility is acting diligently to make sure that rising costs for power do not negatively impact ratepayers.

MOTION / VOTE:

The City Council, on motion of Council Member Land, Howard second, adopted Resolution No. 2001-34 authorizing the City Manager and the Electric Utility Director to execute electric and natural gas energy purchase and sale agreements for periods up to ten years. The motion carried by the following vote:

Ayes: Council Members – Hitchcock, Howard, Land and Mayor Nakanishi
Noes: Council Members – None
Absent: Council Members – None
Abstain: Council Members – Pennino

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 7:38 a.m.

ATTEST:

Susan J. Blackston
City Clerk